

**MISSOURI PUBLIC ENTITY RISK
MANAGEMENT FUND**

Jefferson City, Missouri

INDEPENDENT AUDITORS' REPORT

For the Years Ended December 31, 2012 and 2011

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION & ANALYSIS.....	3 - 8
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position.....	9
Statements of Revenues, Expenses and Changes in Fund Net Position.....	10
Statements of Cash Flows.....	11
Notes to Financial Statements.....	12 - 23
REQUIRED SUPPLEMENTAL INFORMATION:	
2003-2012 Loss Development Information.....	24 - 25
Reconciliation of Claims Liabilities by Type of Contract.....	26



Evers & Company, CPA's, L.L.C.

Certified Public Accountants and Consultants

Elmer L. Evers
Jerome L. Kauffman
Richard E. Elliott
Dale A. Siebeneck
Keith L. Taylor
Jo L. Moore
Wendy M. Renner
Eldon H. Becker, Jr.
Bruce A. Vanderveld

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Missouri Public Entity Risk Management Fund
Jefferson City, Missouri:

We have audited the accompanying basic financial statements of **Missouri Public Entity Risk Management Fund** (MOPERM), as of and for the years ended December 31, 2012 and 2011, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of **Missouri Public Entity Risk Management Fund**, as of December 31, 2012 and 2011, and the respective changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, ten year loss development information and reconciliation of claims liabilities by type of contract on pages 3 through 8, 24 through 25, and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Evers & Company, CPA's, LLC

EVERS & COMPANY, CPA's, L.L.C.
Jefferson City, Missouri

March 27, 2013

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Management of the Missouri Public Entity Risk Management Fund (MOPERM) offers this narrative overview and analysis of the financial activities of MOPERM for the fiscal years ended December 31, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with MOPERM's financial statements and notes to the financial statements to enhance their understanding of MOPERM's financial performance.

Fund Accounting

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MOPERM, a corporate and political body created by the Missouri General Assembly, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. MOPERM is considered to be a related party but not a component unit of the State of Missouri. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. MOPERM's funds are considered proprietary funds.

Proprietary funds. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers for the provision of goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MOPERM maintains one type: Enterprise Fund. MOPERM's purpose is to provide liability and property insurance coverage to participating public entities, their officials and employees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MOPERM's financial statements. Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, as MOPERM uses only Proprietary funds, which present financial statement information in the same manner as government-wide financial statements only with more detail, we do not present government-wide financial statements as the information would be repetitive.

The financial statements, in addition to management's discussion and analysis, are comprised of the statement of net position; the statement of revenues, expenses and changes in net position; the statement of cash flows and the notes to financial statements. The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental enterprise funds.

The statement of net position presents MOPERM's financial position as of the end of the fiscal year. Information is displayed on assets and liabilities, with the difference between the two reported as net position. The net position of MOPERM reflect the resources available as of the end of the fiscal year to pay claims of participants when due. Over time, increases and decreases in net position measure whether MOPERM's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information detailing the revenues and expenses that resulted in the change in net position that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is

received or paid. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by fiscal year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-insured plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

The statement of cash flows presents the cash provided and used by MOPERM categorized by operating activities, noncapital financing activities, capital and related financing activities, and investing activities. It reconciles the beginning and end-of-year cash balances contained in the statement of net position. The effects of accrual accounting and noncash activities, such as depreciation, are adjusted to supplement the presentation in the statement of revenues, expenses and changes in net position.

The notes to financial statements follow the basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, required supplementary information is presented illustrating MOPERM's past ten years of earned revenues and investment income compared to related costs of loss and other expenses incurred by MOPERM.

Financial Analysis

The following tables present the summarized financial position and results of operations for the fiscal years ended December 31, 2012, 2011 and 2010. Additional details are available in the accompanying financial statements.

	2012	2011	2010
ASSETS			
Cash and investments	\$ 116,241,205	\$ 114,470,841	\$ 106,607,848
Receivables	466,089	706,034	735,502
Capital assets	1,412,959	1,448,420	1,437,362
Other	16,190	12,033	10,082
Total assets	<u>\$ 118,136,443</u>	<u>\$ 116,637,328</u>	<u>\$ 108,790,794</u>
LIABILITIES			
Loss and loss adjustment expense	\$ 48,767,586	\$ 50,850,122	\$ 50,614,714
Other	9,143,591	9,629,065	7,506,879
Total Liabilities	<u>57,911,177</u>	<u>60,479,187</u>	<u>58,121,593</u>
NET POSITION			
Net investment in capital assets	1,412,959	1,448,420	1,437,362
Unrestricted	58,812,307	54,709,721	49,231,839
Total net position	<u>60,225,266</u>	<u>56,158,141</u>	<u>50,669,201</u>
Total liabilities and net position	<u>\$ 118,136,443</u>	<u>\$ 116,637,328</u>	<u>\$ 108,790,794</u>

- MOPERM was established to offer liability protection to participating public entities, their officials and employees. MOPERM has been successfully providing member entities with broad coverages at stable and economical rates. About nine years ago, MOPERM's Board of Trustees approved the offering of property insurance coverage to its members. MOPERM increased its overall membership by 5 members in 2012, while decreasing its membership by 20 members in 2011 and 29 members in 2010. The slight increase in membership for 2012 is a result of the market beginning to harden. The reduction of members in 2011 and 2010 was due to a softer market and greater competition within the state. With the net increase in members, MOPERM picked up about \$347,000 in contribution in 2012 compared to 2011. In 2011, MOPERM lost about \$1,491,283 in contribution compared to \$1,261,739 loss in contribution in 2010. Even though the overall contribution collected decreased in 2011 and 2010, total assets increased by \$7,846,534 to \$116,637,328 and \$5,983,794 to \$108,790,794. Cash and investments increased the past three years; \$1.8 million in 2012, \$7.9 million in 2011 and \$5.6 million in 2010. Capital assets decreased in 2012 even though the new risk management software system was completed and added to fixed assets. Numerous old computers and a vehicle were sold and the new software system started depreciating in June. Capital assets had increased by \$11,058 and \$348,770 during 2011 and 2010. In 2010, computer equipment totaling \$53,311 was purchased to complement the new risk management software system that is designed to integrate policy administration, accounting and claims. As of December 31, 2011, \$417,004 of the new risk management software system had been purchased. The software implementation was complete in June of 2012, when the claims module was added. During 2012 and 2011, receivables decreased by \$240,000 and \$29,000 due to the decrease in accrued interest on investments and the decrease in deductible billing receivables.

- Total liabilities decreased by \$2.1 million in 2012 and increased by \$2.4 million and \$1.6 million in 2011 and 2010. The decrease in 2012 was primarily the reduction in IBNR for several of the older policy years where all claims have been settled and closed. The increase in liabilities in 2011 was primarily associated with an increase in advance contributions and retro return reserve refunds. The increase in 2010 was associated with an increase in loss reserves for incurred but not reported. MOPERM reserves 75% of annual liability contributions to pay claims. This percentage conservatively reflects past claims history. This reserve is reviewed annually by an independent actuary. MOPERM has no long term debt.
- Changes in net position for 2012 and 2011 increased by \$4.7 million and \$6.7 million. Since its inception, MOPERM has refunded over \$8 million of contributions to the participating members. MOPERM's Board of Trustees declared a refund in 2012 and 2011 for \$703,447 and \$1,208,834. There was no refund declared for 2010.

	2012	2011	2010
REVENUES			
Contributions	\$ 16,662,710	\$ 16,315,514	\$ 17,806,797
Investment income	2,646,677	3,051,178	3,425,809
Other income (expense)	7,847	2,727	100
Total operating revenues	19,317,234	19,369,419	21,232,706
EXPENSES			
Loss and loss adjustment expense	10,298,997	11,073,435	12,107,531
Excess insurance premiums	1,639,866	1,447,161	1,273,174
General and administrative	2,489,258	2,366,185	2,504,618
Total operating expenses	14,428,121	14,886,781	15,885,323
Operating income	4,889,113	4,482,638	5,347,383
Nonoperating revenue (expenses):			
Unrealized gain(loss) on investments	(164,113)	2,215,136	(972,128)
Changes in net position	4,725,000	6,697,774	4,375,255
Total net position, beginning of year	56,158,141	50,669,201	46,293,946
Refunds to members, net of refunds returned	(657,875)	(1,208,834)	-
Total net position, end of year	\$ 60,225,266	\$ 56,158,141	\$ 50,669,201

- There was an increase in contributions earned for 2012 due to a minimal increase in liability contribution of \$37,000 with the majority of the increase to property contribution of \$310,000. Several liability only members added property coverage and there were several new counties written as well. There was no rate change for liability or property in 2012. Contributions for 2011 decreased by \$1,491,283. The property line of business had slight decreases of \$25,270 which was attributed to the loss of members and a slight rate decrease of 2.91%. Liability contribution was a negative \$1,466,013 for 2011 due to a 4.99% rate decrease and the loss of members. In 2011, a new 5% package discount was applied to liability and property policies that held both property and liability lines of coverage.

- In 2012 and 2011, MOPERM invested approximately \$114 and \$107 million, primarily in U.S. Government Agency Securities with final maturities of seven years or less, U.S. Government Guaranteed Mortgages and Collateralized Mortgage Obligations. Investment income consists of interest income, amortization of premium and discounts, and realized gains and losses on securities. Investment income for 2012 and 2011 decreased by \$404,501 and \$374,630 due to the volatile markets and lower interest rates on new purchases of investment in the portfolio. Because of the changes in the investment market, MOPERM experienced an unrealized loss on investments of \$164,000 for 2012 and an unrealized gain on investments of \$2.2 million for 2011.
- Loss and loss adjustment expense decreased \$774,438 and \$1,034,096 in 2012 and 2011. MOPERM paid out approximately \$1.5 million more in net loss and loss expenses in 2012 than 2011. MOPERM paid out approximately \$608,000 more in net loss and loss expenses in 2011 than 2010. The decrease was also affected by the change in case reserves and incurred but not reported reserves.
- Excess insurance premiums increased by \$192,705 and \$173,987 in 2012 and 2011. Excess rates increased in 2012 as well as the property membership. In 2011, there was a decrease in property membership, excess rates stayed the same but a large member was added, increasing the excess insurance premiums. The excess insurance ceded premium for property increases/decreases as members are added or non-renewed and cancelled.
- General and administrative expenses approximated 14.9% and 14.5% of total contributions earned for 2012 and 2011, respectively. The increase in expenses is due to increase in Maintenance Services, Depreciation and Commission Expense.

FINANCIAL SUMMARY

In 2012, MOPERM had an increase in its overall membership and an increase of \$347,196 in contribution. MOPERM had no change in base rates for the property or liability programs for 2012. There were a total of 867 entities that contributed to the pool in 2012 compared to 861 participating members in 2011. The insurance market appears to be hardening and MOPERM has increased the amount of quotes being offered. There are still several competitors in the state competing for public entity business.

MOPERM implemented the final stages of the new software system that combines the policy administration and claims processing into one system.

MOPERM had a net income of \$4.7 million in 2012 and paid out a refund of retro return reserves in April of \$1.2 million. The Board of Trustees declared another refund of \$703,447 in 2012 to be paid out in 2013. The general and administrative expenses increased slightly in 2012. Net position increased by \$4,067,125 in 2012 totaling \$60,225,266 at December 31, 2012.

Economic Environment and Next Year's Budget and Rates

Since 1987, MOPERM has been a competitive alternative for local government agencies seeking to manage rising coverage costs against growing exposures and tight budgets. Rates are analyzed by an actuary each year and rate recommendations are made to management. Management analyzes the actuary's rate recommendations and suggests rate changes based on actual loss experience and the current insurance market.

The 2013 estimated contribution is up about 3% compared to the final 2012 contribution amount. The increase was the anticipation of maintaining current membership in addition to adding new members. The property program will take a 5.5% increase in base rates and the liability program will take a 1.80% increase. Total loss and loss expenses are budgeted to increase about 4% in 2013. General and administrative expenses are budgeted for a slight increase as well. In 2013, there is an increase in property excess rates in addition to MOPERM's rate increases. The total of general and administrative expenses and excess insurance premiums are about 25% of total budgeted contribution. The loss and loss expense percentage remains constant at about 75% of budgeted liability contribution each year.

Contacting the Fund's Financial Management

This financial report is designed to provide our members and the public with a general overview of the Fund's finances and to demonstrate the Fund's accountability for the contribution it receives. If you have questions about this report or need additional financial information, contact the Fiscal Manager, Cathy Schulte, at PO Box 7110, Jefferson City, MO 65102, (573)751-1266 ext. 114 or e-mail Cathy-Schulte@moperm.com.

**BASIC
FINANCIAL
STATEMENTS**

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

STATEMENTS OF NET POSITION

DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,537,113	\$ 7,424,453
Short-term investments	6,980,730	4,031,475
Deposits and accounts receivable other than contributions	71,807	135,432
Accrued interest receivable	359,792	563,123
Contributions in the course of collection	34,490	7,479
Prepaid expenses	16,190	12,033
Total current assets	<u>10,000,122</u>	<u>12,173,995</u>
Noncurrent assets		
Long-term investments	106,723,362	103,014,913
Capital assets (net of accumulated depreciation of \$1,594,984 in 2012 and \$1,551,686 in 2011)	<u>1,412,959</u>	<u>1,448,420</u>
Total noncurrent assets	<u>108,136,321</u>	<u>104,463,333</u>
Total assets	<u>\$ 118,136,443</u>	<u>\$ 116,637,328</u>
Liabilities and net position		
Current liabilities:		
Loss and loss adjustment expense reserves	\$ 48,767,586	\$ 50,850,122
Advance contributions	8,324,730	8,333,436
Retro return reserve refunds payable	703,447	1,208,834
Accounts payable and accrued expenses	<u>115,414</u>	<u>86,795</u>
Total liabilities	<u>57,911,177</u>	<u>60,479,187</u>
Net position		
Net investment in capital assets	1,412,959	1,448,420
Unrestricted	<u>58,812,307</u>	<u>54,709,721</u>
Total net position	<u>60,225,266</u>	<u>56,158,141</u>
Total liabilities and net position	<u>\$ 118,136,443</u>	<u>\$ 116,637,328</u>

The accompanying notes are an integral part of these financial statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Contributions	\$ 16,662,710	\$ 16,315,514
Investment income	2,646,677	3,051,178
Other income (expense)	<u>7,847</u>	<u>2,727</u>
Total operating revenues	<u>19,317,234</u>	<u>19,369,419</u>
Expenses:		
Loss and loss adjustment expenses	10,298,997	11,073,435
Excess insurance premiums	1,639,866	1,447,161
General and administrative	<u>2,489,258</u>	<u>2,366,185</u>
Total operating expenses	<u>14,428,121</u>	<u>14,886,781</u>
Operating income	4,889,113	4,482,638
Nonoperating revenue (expenses):		
Unrealized gain (loss) on investments	<u>(164,113)</u>	<u>2,215,136</u>
Changes in net position	4,725,000	6,697,774
Total net position, beginning of year	<u>56,158,141</u>	<u>50,669,201</u>
Refunds to members, net of refunds returned	<u>(657,875)</u>	<u>(1,208,834)</u>
Total net position, end of year	<u>\$ 60,225,266</u>	<u>\$ 56,158,141</u>

The accompanying notes are an integral part of these financial statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Contributions collected	\$ 16,626,993	\$ 17,307,084
Loss and loss adjustment expenses paid	(12,317,908)	(10,811,579)
Payments to suppliers and excess insurer	(3,403,140)	(3,219,623)
Payments to employees	(580,215)	(614,525)
Investment income received	2,606,946	2,980,600
Other income (loss)	7,847	2,727
	<u>2,940,523</u>	<u>5,644,684</u>
Net cash provided by operating activities		
Cash flows used in non-capital financing activities:		
Refunds paid to members	(1,163,262)	-
Cash flows used in capital and related financing activities:		
Purchases of capital assets	(85,846)	(77,904)
Cash flows from investing activities:		
Proceeds from matured investments	83,604,696	67,002,422
Investments purchased	(90,183,451)	(75,361,317)
	<u>(6,578,755)</u>	<u>(8,358,895)</u>
Net cash used in investing activities		
Change in cash and cash equivalents	(4,887,340)	(2,792,115)
Cash and cash equivalents, beginning of year	7,424,453	10,216,568
Cash and cash equivalents, end of year	<u>\$ 2,537,113</u>	<u>\$ 7,424,453</u>
Reconciliation of net operating income to net cash provided by operating activities:		
Net operating income	\$ 4,889,113	\$ 4,482,638
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	121,307	66,846
Accretion of discounts and amortization of premiums, net	292,759	119,738
Realized gain on investments	(535,821)	(200,815)
Changes in certain assets and liabilities:		
(Increase) decrease in deposits and accounts receivable other than contributions	63,625	26,448
(Increase) decrease in accrued interest receivable	203,331	10,499
(Increase) decrease in contributions in course of collection	(27,011)	(7,479)
(Increase) decrease in prepaid expenses	(4,157)	(1,951)
Increase (decrease) in loss and loss adjustment expense reserves	(2,082,536)	235,408
Increase (decrease) in advance contributions	(8,706)	999,049
Increase (decrease) in accounts payable and accrued expenses	28,619	(85,697)
	<u>(1,948,590)</u>	<u>1,162,046</u>
Net adjustments		
Net cash provided by operating activities	<u>\$ 2,940,523</u>	<u>\$ 5,644,684</u>
Schedule of noncash investing, capital and financing activities:		
Increase (Decrease) in fair value of investments	\$ (164,113)	\$ 2,215,136

The accompanying notes are an integral part of these financial statements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

1. Reporting Entity

The Missouri Public Entity Risk Management Fund ("MOPERM") is a body corporate and politic created by the Missouri General Assembly and signed into law on June 20, 1986. MOPERM became operational January 1, 1987. Although the State of Missouri is responsible for appointing some of the members of the Board of Trustees, the State's accountability does not extend beyond these appointments. Accordingly, MOPERM is considered a related organization of the State of Missouri but is not considered a component unit.

The purpose of MOPERM, as established in Chapter 537.700 RSMo 1986 and in the bylaws, is to provide liability protection to participating public entities, their officials and employees. Effective July 1, 2003, MOPERM added property coverage to its services offered to such participating members. MOPERM had a total of 867 and 861 contributors, including cities, counties, healthcare entities and school districts, as of December 31, 2012 and 2011, respectively.

MOPERM uses only proprietary funds, which present financial statement information in the same manner as government-wide financial statements only with more detail. Government-wide financial statements are not presented as such information would be repetitive.

2. Basis of Accounting and Summary of Significant Accounting Policies

Basis of Accounting

MOPERM prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles for governmental enterprise funds. These principles are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and overnight repurchase agreements. All cash on deposit is insured by federal depository insurance or collateralized by securities held by the counter party financial institution's trust department or agent in MOPERM's name. The carrying amounts reported in the statement of net position approximate the fair value of these instruments.

Investments

MOPERM reports investments at fair value, with the changes in fair value reported in the statements of revenues, expenses and changes in net position. The estimated fair value of fixed maturity investments is based on quoted market prices. Interest income is recorded when earned. Realized gains and losses on investments are determined using the specific identification method. Total realized gains were \$535,821 and \$200,815 for the years ended December 31, 2012 and 2011, respectively.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 2 – Continued (Basis of Accounting and Summary of Significant Accounting Policies)

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. Improvements are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Realized gains and losses are recognized upon disposal or retirement of the related assets and are reflected in current operations.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the respective assets:

	Depreciable Life
Automobiles	3 years
Computer equipment and software	3-5 years
Equipment	5 years
Furniture and fixtures and building improvements	5-10 years
Building	40 years

Equity Classifications

Net position represents the difference between assets and liabilities. MOPERM reports three categories of net position, as follows:

Net investment in capital assets-consists of net capital assets.

Restricted net position-net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. MOPERM does not have restricted net position as of December 31, 2012 and 2011.

Unrestricted net position-consists of all other net position that does not meet the definition of the above two components and is available for general use by MOPERM. MOPERM considers unrestricted net position as retro return reserves. MOPERM has designated unrestricted net position for catastrophic reserves in the amount of \$32,734,908 and \$30,995,477 as of December 31, 2012 and 2011, respectively.

Contributions

Contributions are recognized as revenue over their related policy period. Advance contributions represent contributions received in the current year for policies effective the following year. No unearned contribution is reflected at year-end as all policies expire on December 31.

Annual contributions are calculated based on actuarial projections to produce sufficient funds to pay losses and expenses. If contributions do not produce sufficient funds to meet obligations, MOPERM is empowered to make special assessments. Members are jointly and severally liable for claims against MOPERM.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 2 – Continued (Basis of Accounting and Summary of Significant Accounting Policies)

Retro Return Reserve Refunds

If collected contributions and interest income exceed the total amount of all paid claims, claim expenses, operating expenses, and the catastrophic retro return reserves allocation in any given year, the Board of Trustees may declare that a refund of the excess amount be made. The refund shall be on a pro rata basis to all participating public entities based on the contributions of the public entity for the immediately preceding year. Unless otherwise determined by the Board of Trustees, no refund will be made until all claims are closed and the appropriate statute of limitations has expired for that policy year. Refunds are recorded in the year declared.

Loss and Loss Adjustment Expense Reserves

Loss and loss adjustment expenses are charged to income as incurred. Loss and loss adjustment expense reserves represent the accumulation of estimates for reported unpaid losses including loss adjustment expenses, the effects of inflation and other societal and economic factors, plus a provision for losses incurred but not reported. Loss adjustment expenses represent anticipated costs of settling claims, including attorneys' and adjusters' fees. The reserves for incurred but not reported loss and loss adjustment expenses are actuarially determined and based on a computation that applies varying percentages to each policy year's earned contributions, less cumulative claims paid and reported unpaid loss reserves at the statement of net position. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in earnings.

Designated Catastrophic Reserves

The designated catastrophic reserves are funds designated by the Board of Trustees to cover catastrophic losses incurred by MOPERM for any policy year. The balances at December 31 for policy years 2006 through 2010 is equivalent to 10% of the earned contribution and 15% of the earned contribution for all policy years since MOPERM's inception minus \$1,545,447 for policy year 2002; plus any undesignated retro return reserves of a policy year that is twenty years old. The total of these reserves at December 31, 2012 and 2011 is \$6,072 and \$45,135 respectively. During 2005, the Board of Trustees approved the transfer of the catastrophic reserves for policy year 2002 to the Undesignated Retro Return Reserves. If losses in any policy year exceed total contributions and designated catastrophic reserves, additional assessments could be made to applicable members for the policy year the losses occurred.

Operating and Non-operating Income and Expenses

All revenues and expenses, except the unrealized gain or loss on investments, are considered operating. Investment income is considered operating revenue.

Income Taxes

The Internal Revenue Service ruled that MOPERM is exempt from federal income tax under Section 115 of the Internal Revenue Code.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 2 – Continued (Basis of Accounting and Summary of Significant Accounting Policies)

Management's Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events

MOPERM evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through March 27, 2013, which is the date the financial statements were available to be issued.

3. Deposits and Investments

Deposits

Cash balances include short-term securities and operating balances held by financial institutions. At December 31, 2012 and 2011, the carrying amount of deposits at the financial institutions was \$372,272 and \$27,319, the bank balance was \$607,712 and \$251,144, respectively. Of the bank balance, \$250,000 was covered by federal depository insurance at December 31, 2012 and 2011. In addition, at December 31, 2012 and 2011, Central Bank participated in the FDIC's Transaction Account Guarantee Program which provides for a temporary full guarantee by the FDIC for funds in noninterest bearing transaction accounts above the existing FDIC limit.

Investment Policies

MOPERM's investment policy allows investments in: time deposits with maturity of twenty four months or less, U.S. Treasury securities with final maturities of seven years or less, U.S. mortgage backed securities with final maturities of twenty years and a seven year average life or less at purchase, U.S. Government agency securities with final maturities of seven years or less, collateralized mortgage obligations that have a weighted average life not to exceed seven years and pass the FFIEC High Risk Stress Test, corporate issued and guaranteed by FDIC or other government programs under the "Temporary Liquidity Guarantee Program" with final maturities of seven years or less, commercial paper that may not exceed 180 days to maturity and repurchase agreements.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 3 – Continued (Deposits and Investments)

Investment Summary:

The following table presents the summary of MOPERM'S investments by type at December 31, 2012 and 2011:

	2012	2011
Investaccount-Government	\$ 2,164,841	\$ 7,397,134
U.S. Agencies	83,005,722	83,566,668
U.S. Treasury Bills	5,670,009	-
U.S. Government Guaranteed Mortgages	10,675,797	9,479,581
Collateralized Mortgage Obligations	14,352,564	14,000,096
	<u>\$ 115,868,933</u>	<u>\$ 114,443,479</u>

Investaccount account balances totaling \$2,164,841 and \$7,397,134 at December 31, 2012 and 2011, respectively, are classified as cash and cash equivalents in the Statement of Net Position, but, as investments for custodial credit risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, MOPERM would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in MOPERM's name, and held by the counterparty. The Investaccount was collateralized by securities delivered to a third party institution mutually agreed upon by the financial institution and MOPERM. MOPERM's other investments are not exposed to custodial credit risk.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 3 – Continued (Deposits and Investments)

Concentration of Credit Risk

According to GASB Statement No. 40, there is potential concentration of credit risk if more than five percent (5%) of the entity's investments are with any one issuer. The following investments are considered exposed to concentration of credit risk as of December 31, 2012 and 2011:

	<u>Concentration of Credit Risk</u>			
	2012		2011	
	% of Portfolio	Amount	% of Portfolio	Amount
Federal Home Loan Bank	19.85	\$23,000,505	10.78	\$12,340,160
Federal National Mortgage Association	14.50	16,799,890	21.65	24,773,015
Federal Home Loan Mortgage Corporation	13.05	15,120,305	13.94	15,956,700
Federal Farm Credit	18.19	21,068,325	17.52	20,050,695
Federal Home Loan Mortgage Corporation -Collateralized Mortgage Obligations	7.40	8,566,236	6.76	7,732,450
Federal National Mortgage Association -Mortgage Backed Securities	7.27	8,422,182	8.21	9,393,835

Such concentrations are permitted by MOPERM's investment Policy.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt instrument's exposure to a change in interest rates and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instruments' full price. MOPERM mitigates interest rate risk through the duration of investments outlined in its investment policy.

Foreign Currency Risk

MOPERM held no foreign investments or currency as of December 31, 2012 and 2011.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 3 – Continued (Deposits and Investments)

Investment Maturity Schedule

Investments are reported at fair value. Investments that are purchased with less than 90 days maturity date are listed as “cash equivalents”. As of December 31, 2012 and 2011 MOPERM’s investment maturities consisted of the following:

December 31, 2012	Rating	Less than one year	One to three years	Three to five years	Five to ten years	Total
Investaccount-Government	N/A	\$ 2,164,841	\$ -	\$ -	\$ -	\$ 2,164,841
U.S. Agencies	Aaa/AA+	-	6,947,405	15,720,640	60,337,677	83,005,722
U.S. Treasury Bills	N/A	5,670,009	-	-	-	5,670,009
U.S. Government Guaranteed Mortgages	Aaa/AA+	95,662	-	7,034,286	3,545,850	10,675,798
Collateralized Mortgage Obligations	Aaa/AA+	1,215,059	7,675,084	5,105,467	356,953	14,352,563
		<u>\$ 9,145,571</u>	<u>\$ 14,622,489</u>	<u>\$ 27,860,393</u>	<u>\$ 64,240,480</u>	<u>\$ 115,868,933</u>

December 31, 2011	Rating	Less than one year	One to three years	Three to five years	Five to ten years	Total
Investaccount-Government	N/A	\$ 7,397,134	\$ -	\$ -	\$ -	7,397,134
U.S. Agencies	Aaa/AA+	1,220,324	2,601,884	24,588,162	55,156,340	83,566,710
U.S. Government Guaranteed Mortgages	Aaa/AA+	296,225	690,159	2,617,435	5,875,763	9,479,582
Collateralized Mortgage Obligations	Aaa/AA+	2,514,926	8,644,197	2,840,973	-	14,000,096
		<u>\$ 11,428,609</u>	<u>\$ 11,936,240</u>	<u>\$ 30,046,570</u>	<u>\$ 61,032,103</u>	<u>\$ 114,443,522</u>

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

4. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

Category	Balance at December 31, 2011	Additions	Deductions/ Transfers	Balance at December 31, 2012
Capital assets, not being depreciated				
Work in progress	\$ 417,004	\$ 56,175	\$ 473,179	\$ -
Capital assets, being depreciated				
Building and building improvements	1,159,491	11,950	-	1,171,441
Equipment	27,663	199	1,721	26,141
Furniture and fixtures	104,314		-	104,314
Computer equipment and software	1,243,079	474,187	43,194	1,674,072
Automobiles	48,555	16,650	33,230	31,975
Total capital assets, being depreciated	2,583,102	502,986	78,145	3,007,943
Less accumulated depreciation	1,551,686	121,307	78,009	1,594,984
Total capital assets, being depreciated, net	1,031,416	381,679	136	1,412,959
Capital assets, net	\$ 1,448,420	\$ 437,854	\$ 473,315	\$ 1,412,959

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 4 – Continued (Capital Assets)

Capital asset activity for the year ended December 31, 2011 was as follows:

Category	Balance at December 31, 2010	Additions	Deductions/ Transfers	Balance at December 31, 2011
Capital assets, not being depreciated				
Work in progress	\$ 362,054	\$ 54,950	\$ -	\$ 417,004
Capital assets, being depreciated				
Building and building improvements	1,159,491	-	-	1,159,491
Equipment	26,798	1,277	412	27,663
Furniture and fixtures	103,326	988	-	104,314
Computer equipment and software	1,222,390	20,689	-	1,243,079
Automobiles	48,555	-	-	48,555
Total capital assets, being depreciated	2,560,560	22,954	412	2,583,102
Less accumulated depreciation	1,485,252	66,846	412	1,551,686
Total capital assets, being depreciated, net	1,075,308	(43,892)	-	1,031,416
Capital assets, net	\$ 1,437,362	\$ 11,058	\$ -	\$ 1,448,420

Total depreciation expense for the years ended December 31, 2012 and 2011 was \$121,308 and \$66,846, respectively.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

5. Loss and Loss Adjustment Expense Reserves

Activity in the loss and loss adjustment expense reserves was as follows:

	<u>2012</u>	<u>2011</u>
Loss and loss adjustment expense reserves, beginning of year, net of reinsurance recoverable of \$803,456 in 2012 and \$709,763 in 2011	\$ 50,850,122	\$ 50,614,714
Incurred loss and loss adjustment expenses:		
Provision for insured events – current year	10,029,373	11,480,426
Provision for insured events – prior years	<u>269,624</u>	<u>(406,991)</u>
Total incurred loss and loss adjustment expenses	<u>10,298,997</u>	<u>11,073,435</u>
Payments:		
Loss and loss adjustment expenses attributable to insured events – current year	3,055,406	6,138,713
Loss and loss adjustment expenses attributable to insured events – prior years	<u>9,326,127</u>	<u>4,699,314</u>
Total payments	<u>12,381,533</u>	<u>10,838,027</u>
Loss and loss adjustment expense reserves, end of year, net of reinsurance recoverable of \$560,894 in 2012 and \$803,456 in 2011	<u>\$ 48,767,586</u>	<u>\$ 50,850,122</u>

The provision for prior year insured events represents the variations between MOPERM's estimated claims payable for prior years' claims and the actual amounts required to satisfy such claims.

6. General and Administrative Expenses

The most significant components of general and administrative expenses are salary, employee benefit, agent commission, and loss control services expenses. All employees administering MOPERM are employees of the State of Missouri and are covered by the Missouri State Employees' Retirement

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

NOTE 6 – Continued (General and Administrative Expenses)

System. MOPERM reimburses the State of Missouri, a related organization, for all costs of administration, including salary costs of \$581,441 for 2012 and \$609,668 for 2011 and pension costs of \$82,461 for 2012 and \$84,342 for 2011. As of December 31, 2012 and 2011, payables due to the State of Missouri totaled \$35,686 and \$35,234, respectively. The State of Missouri's other post employment benefit package is subject to the measurement and disclosure requirements of GASB 45.

Effective during the 2008 year, the amounts paid to the State of Missouri include a contribution allocation to reimburse the State for the funding of the post retirement health insurance liability. This liability is recognized in total by the State of Missouri. MOPERM's financial statements reflect their allocated share of funding requirement.

All property business is required to be written through agents where liability business can be written direct or through an agent. Agent commission expense totaled \$1,323,943 and \$1,261,806 for the years ended December 31, 2012 and 2011, respectively. Loss control services, provided by an outside consultant, approximated \$91,312 and \$109,381 for the years ended December 31, 2012 and 2011, respectively.

7. **Retro Return Reserve Refunds**

The Board of Trustees of MOPERM did declare retro return reserve refunds in the amount of \$703,447 and \$1,208,834 in 2012 and 2011. As of December 31, 2012, cumulative retro return reserve refunds were as follows:

Policy Year	Refunds Declared and Paid Prior to 2011	Refunds Declared and Accrued During 2012	Refunds Total Declared	Percentage of Contributions Refunded
1987	\$ 1,391,082	\$ -	\$ 1,391,082	85%
1988	2,074,331	-	2,074,331	76%
1989	519,031	-	519,031	23%
1990	933,499	-	933,499	45%
1991	270,627	-	270,627	12%
1992	784,489	41,764	826,253	28%
1993	-	33,116	33,116	1%
1994	155,373	-	155,373	3%
1995	1,740,908	235,075	1,975,983	34%
1996	315,401	258,160	573,561	9%
1997	-	135,332	135,332	2%
	<u>\$ 8,184,741</u>	<u>\$ 703,447</u>	<u>\$ 8,888,188</u>	

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

8. Excess Insurance

MOPERM maintains excess insurance coverage with outside insurance carriers for the property program. The property excess policy for 2012 was placed with four carriers: Axis, RSUI, Lloyds and Westchester and they provided coverage of \$200,000,000 for each occurrence, with MOPERM's retention per claim of \$100,000. For 2011, the coverage was with Allianz Insurance Company, provided coverage of \$200,000,000 for each occurrence. MOPERM's 2011 retention per claim was \$50,000 and \$100,000 per occurrence, except wind and hail that had a \$150,000 retention per claim and \$200,000 per occurrence, with no annual aggregate. For 2012 and 2011, the boiler and machinery excess policy, with Zurich American Insurance Company, provides coverage of \$50,000,000 for each occurrence with no annual aggregate and MOPERM had a \$10,000 deductible per occurrence for 2012 and 2011. The crime excess policy, with Travelers Casualty and Surety of America, provides coverage of \$50,000 per occurrence and MOPERM's retention per occurrence was \$5,000 with no annual aggregate for both 2012 and 2011.

Since July 7, 2002, MOPERM has elected not to purchase an excess insurance policy for liability.

9. Condominium Association

On February 4, 2005, MOPERM purchased an office condominium in the Howerton Center Condominium. In conjunction with the purchase, MOPERM became a one-third member of The Howerton Center Condominium Association, Inc. (Corporation). The Corporation is a Mutual Benefit Corporation formed for the purpose of maintaining the common areas in The Howerton Center Condominium and performing all other duties set forth in the Declaration of Condominium. MOPERM contributed \$1,000 to the Corporation for operating funds. MOPERM is billed utilities, insurances and other expenditures by the Corporation as outlined in the Corporation's Condominium Declarations and Bylaws. MOPERM records such expenditures on the accrual basis of accounting as general and administrative expenses.

10. Contingencies

MOPERM is a party to a number of lawsuits arising in the normal course of business. While the results of other litigation cannot be predicted with certainty, management, based upon advice of MOPERM's counsel, believes the final outcome of the other litigation will not have a material adverse effect on MOPERM's financial position or its results of operations.

**REQUIRED
SUPPLEMENTAL
INFORMATION**

**MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND
SUPPLEMENTAL SCHEDULE OF 2003-2012
LOSS DEVELOPMENT INFORMATION**

DECEMBER 31, 2012

The following page illustrates how MOPERM's earned revenues (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by MOPERM for each of the ten years ended December 31, 2012. The rows of the table are defined as follows:

- (1) The total of each fiscal year's gross earned contribution revenues and investment revenues. Earned contribution revenue and investment revenue paid to excess insurers and earned contribution revenue and investment revenue net of the effects of excess reinsurance premiums.
- (2) Each fiscal year's other operating costs of MOPERM including overhead and claims expense not allocable to individual claims.
- (3) MOPERM's gross incurred losses and allocated loss adjustment expense, losses assumed by excess insurer and net incurred losses and allocated loss adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) The cumulative net amounts paid as of the end of successive years for each policy year.
- (5) The latest re-estimated amount of losses assumed by excess insurers as of the end of each year for each accident year.
- (6) Each policy years incurred losses increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known losses, re-evaluation of existing information on known losses, as well as the emergence of new losses not previously known.
- (7) Compares the latest re-estimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of loss cost are greater or less than originally thought. As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred losses currently recognized in less mature policy years. The columns of the table show data for successive policy years.

MISSOURI PUBLIC ENTITY RISK MANAGEMENT

SUPPLEMENTAL SCHEDULE OF 2003-2012

LOSS DEVELOPMENT INFORMATION, CONTINUED

DECEMBER 31, 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fiscal year ended:										
(1) Contribution and investment revenue:										
Earned	\$ 13,758,081	\$ 19,112,502	\$ 22,366,241	\$ 24,528,670	\$ 25,941,702	\$ 26,430,915	\$ 22,681,440	\$ 21,232,205	\$ 19,366,692	\$ 19,309,387
Ceded	(58,521)	(712,488)	(990,355)	(1,119,915)	(1,378,279)	(1,170,558)	(1,119,946)	(1,273,174)	(1,447,161)	(1,639,866)
Net earned	13,699,560	18,400,014	21,365,886	23,408,755	24,563,423	25,260,357	21,561,494	19,959,431	17,919,531	17,669,521
(2) Unallocated expenses	1,795,366	2,616,855	2,796,814	3,004,756	2,995,869	3,159,917	2,624,008	2,504,618	2,366,185	2,489,258
Policy year ended:										
(3) Estimated incurred loss and loss adjustment expense, end of policy year:										
Incurred	9,257,889	12,742,751	14,344,347	15,374,073	15,169,791	16,096,860	13,351,739	12,505,206	12,233,711	10,763,247
Ceded	-	(278,067)	(2,631)	(330,067)	(210,840)	(585,795)	(398,543)	(286,666)	(753,284)	(101,048)
Net incurred	9,257,889	12,464,684	14,341,716	15,044,007	14,958,951	15,511,065	12,952,795	12,218,540	11,480,427	10,662,199
(4) Re-estimated ceded loss and loss adjustment expense as of:										
End of policy year	2,186,599	2,226,701	2,360,924	2,850,824	2,660,991	3,244,802	2,734,679	3,126,561	5,385,430	2,954,358
One year later	2,921,068	4,105,287	3,296,373	3,743,592	4,181,825	5,138,156	4,311,864	5,182,373	7,166,940	-
Two years later	4,380,519	5,686,877	5,170,224	5,263,978	7,913,383	7,013,470	5,188,008	6,541,593	-	-
Three years later	6,059,643	6,497,502	8,501,426	6,520,461	9,531,422	8,082,239	8,445,272	-	-	-
Four years later	6,286,181	7,383,707	8,873,080	7,078,303	7,710,710	8,891,913	-	-	-	-
Five years later	7,632,563	7,865,666	9,680,258	7,493,188	11,468,727	-	-	-	-	-
Six years later	7,937,430	8,307,063	9,788,245	8,105,768	-	-	-	-	-	-
Seven years later	8,142,256	8,329,245	10,222,141	-	-	-	-	-	-	-
Eight years later	8,160,723	8,374,913	-	-	-	-	-	-	-	-
Nine years later	8,177,698	-	-	-	-	-	-	-	-	-
(5) Re-estimated ceded loss and loss adjustment expense	-	(569,344)	(37,479)	(830,436)	(294,168)	(1,017,820)	(732,765)	(334,886)	(1,213,160)	(101,048)
(6) Re-estimated incurred loss and loss adjustment expense:										
End of policy year	9,257,889	12,464,684	14,341,716	15,044,007	14,958,951	15,511,065	12,952,795	12,218,540	11,174,983	10,662,199
One year later	9,259,123	12,439,325	14,305,897	14,987,767	14,926,969	15,186,111	12,798,194	12,143,246	12,396,804	-
Two years later	9,259,123	12,439,325	14,288,296	14,969,152	14,913,686	15,226,953	12,798,195	12,145,377	-	-
Three years later	9,259,123	12,439,325	14,298,450	14,968,152	14,913,686	15,226,953	12,798,194	-	-	-
Four years later	9,259,123	12,439,325	14,298,450	14,976,799	14,913,686	15,226,953	-	-	-	-
Five years later	9,259,123	12,439,325	14,298,450	14,976,799	14,913,686	-	-	-	-	-
Six years later	9,259,123	12,439,325	14,298,450	-	-	-	-	-	-	-
Seven years later	9,259,123	12,439,325	14,298,450	-	-	-	-	-	-	-
Eight years later	9,259,123	-	-	-	-	-	-	-	-	-
Nine years later	9,259,123	-	-	-	-	-	-	-	-	-
(7) Increase (decrease) in estimated incurred losses and loss of adjustment expenses from end of policy year	1,234	(25,359)	(43,266)	(67,208)	(45,265)	(284,112)	(154,601)	(73,163)	1,221,821	-

MISSOURI PUBLIC ENTITY RISK MANAGEMENT FUND

Reconciliation of Claims Liabilities by Type of Contract For the Years Ended December 31, 2012 and 2011

The schedule below presents the changes in claims liabilities for the past two years for the Fund's two types of contracts: Liability and Property.

	Liability		Property	
	2012	2011	2012	2011
Loss and loss adjustment expense reserves, beginning of year.	\$ 50,444,821	\$ 50,301,135	\$ 405,301	\$ 313,579
Incurring loss and loss adjustment expenses:				
Provision for insured events – current year	9,835,900	9,808,142	193,473	1,672,284
Provision for insured events – prior years	(36,810)	(334,234)	306,434	(72,757)
Total incurred loss and loss adjustment expenses	9,799,090	9,473,908	499,907	1,599,527
Payments:				
Loss and loss adjustment expenses attributable to insured events – current year	2,275,758	4,115,909	779,648	2,022,804
Loss and loss adjustment expenses attributable to insured events – prior years	9,585,478	5,214,313	(259,351)	(514,999)
Total payments	11,861,236	9,330,222	520,297	1,507,805
Loss and loss adjustment expense reserves, end of year.	\$ 48,382,675	\$ 50,444,821	\$ 384,911	\$ 405,301